

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6343

BILL NUMBER: SB 513

NOTE PREPARED: Jan 14, 2009

BILL AMENDED:

SUBJECT: Homestead property taxes and sales and use taxes.

FIRST AUTHOR: Sen. Young R Michael

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Pending

Summary of Legislation: Eliminates property taxes on primary residences (homesteads). Decreases the state sales and use tax rate from 7% to 5.5%. Provides that sales and use tax applies to transactions involving services, except for legal services, health or mental health services (including insurance premiums for policies covering these services), and services provided for charitable tax exempt purposes. Deposits the increased sales and use tax revenue in the state general fund. Provides an annual state distribution to offset the property tax exemption for homesteads using gross assessed values of homesteads. Reduces actual property tax levies by the amount of the state distribution. Reduces local option income tax rates by the part attributable to paying homestead credits, property tax replacement credits on homesteads, or freezing levy growth on homesteads unless the county adopts an ordinance to allocate the revenue to the general fund of the various civil taxing units in the county. Eliminates the right of a governmental unit, including special benefit districts, to place a lien on a homestead. Increases the maximum renter's deduction for income tax purposes from \$3,000 to \$8,000 per taxable year. Removes references to the homestead credit throughout the Indiana Code. Removes superseded provisions. Makes conforming changes. Makes an ongoing appropriation.

Effective Date: Upon passage; July 1, 2009; January 1, 2010.

Explanation of State Expenditures: *As of the above date, the fiscal analysis of this bill has not been completed. Please contact the Office of Fiscal and Management Analysis for an update of this fiscal impact statement.*

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources:

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